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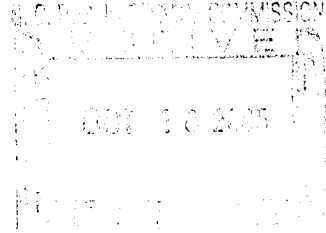
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October 17, 2005



Mr. Charles L. A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
Synergy Business Park, The Saluda Building
101 Executive Center Drive
Columbia, South Carolina 29210

Re: Application of Quality Telephone, Inc. for a Certificate of Public Convenience and Necessity to Provide Local Exchange Services, Exchange Access Services, Interexchange Telecommunications Services and for Flexible Regulation of its Local Exchange Services
Docket No. 2005-232-C

Dear Mr. Terreni:

Enclosed for filing on behalf of the South Carolina Telephone Coalition, please find an original and twenty-five (25) copies of the Testimony of L. B. Spearman in the above-referenced matter. By copy of this letter and Certificate of Service, all parties of record are being served with a copy of this Testimony by U. S. Mail.

Please clock in a copy of this filing and return it to us in the enclosed self-addressed, stamped envelope.

Thank you for your assistance.

Very truly yours,

Margaret M. Fox

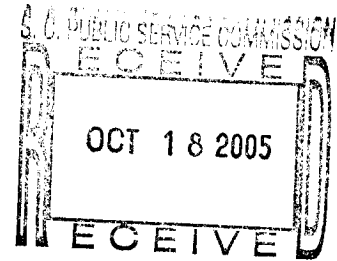
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Enclosures

cc: Parties of Record

RETURN DATE: *Oct 20 2005*
SERVICE: *OK P. Duke*

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

Docket No. 2005-232-C



In Re: Application of Quality Telephone, Inc. for a)
Certificate of Public Convenience and)
Necessity to Provide Local Exchange Services)
Exchange Access Services, Interexchange)
Telecommunications Services and for Flexible)
Regulation of its Local Exchange Services)
_____)

**TESTIMONY OF
L. B. SPEARMAN**

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is L. B. Spearman. My business address is 1660 Juniper Springs Road, Gilbert, South Carolina 29054.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am Vice President and Chief Regulatory Officer for PBT Telecom, Inc. and for PBT Communications, Inc.

Q. PLEASE BRIEFLY OUTLINE YOUR EDUCATION, TRAINING, AND EXPERIENCE IN THE TELEPHONE INDUSTRY.

A. I received a Bachelor of Science Degree in General Business Administration from Lander University in May 1980. I received a Masters Degree from Clemson University in May of 1983. I was employed by the South Carolina Public Service Commission from 1984 until 1988, when I assumed my current position.

I am responsible for all regulatory matters of the company. I have served on several South Carolina Telephone Association committees, as well as national committees dealing with telecommunications matters.

Q. FOR WHOM ARE YOU TESTIFYING IN THIS MATTER?

A. I am testifying on behalf of the South Carolina Telephone Coalition ("SCTC"), a coalition of independent local exchange telephone companies ("LECs") organized and doing business under the laws of the State of South Carolina.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to present the SCTC's concerns regarding the Application of Quality Telephone, Inc.d/b/a FDN Communications ("QTI") for authority to provide local exchange telecommunications service throughout the State of South Carolina. The SCTC opposes QTI's application as written. The SCTC believes that QTI should be required to set forth with particularity the proposed geographic territory to be served, as opposed to a more general request for "statewide" authority. The SCTC also believes it is inappropriate to permit carriers to provide local exchange telecommunications in rural telephone company areas at this time. The SCTC further requests that the Commission take notice of the fact that statewide certification of QTI or any other competitive local exchange carrier does not, in itself, impinge upon the federal rights granted to rural telephone companies and to telecommunications customers in general by the Act. There are specific rights and procedures, in particular those set forth in Section 251(f) of the Act, that must be followed before any competitive local exchange carrier may offer particular services to customers located in rural telephone company areas.

Q. WOULD THE RELIEF GRANTED TO AT&T IN ORDER NO. 96-494 BE APPROPRIATE FOR QTI?

A. No. In Docket No. 96-073-C, the Commission decided that statewide certification was appropriate for AT&T, provided that AT&T would not provide local service to any

customer located within the service area of a rural telephone company without following the specific procedures set forth by the Commission in Order No. 96-494. The Commission held that competition for local services is in the public interest in non-rural areas, but specifically made no finding as to whether competition for local services is in the public interest for the rural areas of South Carolina. The SCTC believes that QTI is not in the same position as AT&T. First, AT&T's application for local service was filed and heard by the Commission before the enactment of amended S.C. Code Ann. § 58-9-280. Section 58-9-280(B) provides that an applicant proposing to furnish local telephone service in the service territory of an incumbent LEC must set forth with particularity the proposed geographic territory to be served. The SCTC respectfully submits that a general application for statewide authority does not meet this requirement. In addition, AT&T has been a facilities-based certificated interexchange carrier ("IXC") in South Carolina for many years. Unlike QTI, AT&T owns substantial facilities and employs numerous people throughout South Carolina. Clearly, the Commission has a long history of regulating AT&T and is, therefore, more familiar with the operations and business practices of AT&T than it is with QTI. AT&T's pervasive presence in South Carolina and the Commission's familiarity with AT&T contributed to the Commission's finding that AT&T has the managerial, financial, and technological ability to provide local service throughout South Carolina.

While the SCTC recognizes the necessity of opening up local exchange telecommunications markets to competition, the federal Telecommunications Act of 1996 ("Federal Act") contains many provisions designed to protect customers in rural areas. In fact, an overriding policy goal of the Federal Act is to ensure the continuing quality and availability of affordable local exchange telecommunications services to all customers. The

SCTC is concerned that the protections and policies embodied in the Federal Act will be obscured, and perhaps circumvented, if new entrants are granted statewide certificates to provide local service, even with the rural customer protections provided by the Commission with respect to AT&T in Order No. 96-494.

Q. IN WHAT WAY IS QTI'S REQUEST IMPACTED BY THE FEDERAL ACT?

A. The Federal Act empowers states to consider the impact of local competition on rural markets. It does this in several ways, including:

- 1) an initial exemption from interconnection for rural telephone companies;
- 2) a suspension and modification process for certain telephone companies;
- 3) a provision allowing states to require companies to offer service to an entire rural service area; and
- 4) a provision allowing states to designate a single carrier of last resort in a rural area.

QTI has not specified the markets it intends to serve. QTI's request would defeat the market entry process contemplated by the Federal Act by not allowing the South Carolina Public Service Commission ("Commission") to examine the public interest impact of local competition on a market-by-market basis.

Q. WHY IS IT NECESSARY THAT AN APPLICANT SET FORTH WITH PARTICULARITY THE GEOGRAPHIC SERVICE AREA IT PROPOSES TO SERVE?

A. The Federal Act imposes on all incumbent LECs the duty to provide, for the facilities and equipment of any requesting telecommunications carrier, interconnection with the LEC's network for the transmission and routing of telephone exchange service and exchange

access. [Federal Act § 251(c)(2).] The Federal Act also provides that incumbent LECs must offer telecommunications service for resale. [Federal Act § 251(c)(4)]. The Federal Act also, however, contains important exemption, suspension and modification provisions for rural telephone companies and small LECs with respect to interconnection, resale, and other requirements. All of these provisions apply to the companies which make up the South Carolina Telephone Coalition. For example, each SCTC Company is exempt from the interconnection requirements of the Federal Act until "such company has received a bona fide request for interconnection, services, or network elements, and . . . the State commission determines . . . that such request is not unduly economically burdensome, is technically feasible, and is consistent with [universal service principles]." [Federal Act § 251(f)(1)(A).] In addition, even after a bona fide request has been received and the commission has determined that the automatic exemption should be lifted, any LEC having less than 2% of the Nation's access lines (herein called a small LEC) may petition the Commission for a suspension or modification of the application of the interconnection requirement. Should the Commission determine that such suspension or modification is necessary to avoid a significant adverse economic impact on users of telecommunications services generally; to avoid imposing a requirement that is unduly economically burdensome; or to avoid imposing a requirement that is technically infeasible; and is consistent with the public interest, convenience, and necessity, then the Commission must grant such petition to the extent that, and for such duration as the Commission deems appropriate. [Federal Act § 251(f)(2)]. If the Commission were to grant QTI a statewide Certificate to provide local service, the Commission may surrender its ability to ensure

continued quality service for rural customers. This would adversely impact the public interest.

Q. HOW SHOULD AN APPLICANT DEFINE ITS PROPOSED SERVICE AREA?

A. In order for the Commission to make the appropriate public interest findings as prescribed by the Federal Act, these geographic areas should coincide with the service areas of local exchange telephone companies currently operating in the State. In the case of rural telephone companies, the "service area" should be defined as the rural telephone company's study area.

Q. WHAT OTHER CONCERNS DOES THE SCTC HAVE?

A. The SCTC is concerned that, if the Commission grants statewide authority to QTI, some other important provisions of the Federal Act may be overlooked. For example, § 253(f) of the Federal Act allows the State Commission to require a telecommunications company seeking to providing local service in a rural area to meet the requirements of an Eligible Telecommunications Carrier, i.e., essentially to offer basic local services throughout the entire service area for which it seeks certification. This provision is intended to deter "cherry-picking" in rural areas, which could have a devastating effect on the rural LEC's customers, who would probably be forced to pay higher rates as a result. This determination is an important policy decision which must be made by the Commission up front with respect to rural areas in general and with respect to each particular rural area. Approving QTI's application without determining or reserving this issue with respect to the rural areas of the State could lead to a situation where QTI "cherry-picks" the most profitable customers throughout the State without any obligation to serve the unprofitable or lower-profit-margin

customers. Such a practice would have a severe adverse impact on small local exchange carriers and their customers.

Q. WHAT WOULD THE SCTC REQUEST THAT THE COMMISSION DO IN THIS PROCEEDING?

A. The SCTC would respectfully request that the Commission deny QTI's application and require QTI to refile its application for a certificate, setting forth the particular geographic areas which QTI proposes to serve.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

Docket No. 2005-232-C

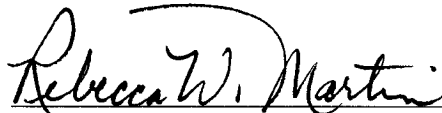
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Regulation of its Local Exchange Services)
_____)

**TESTIMONY OF
L. B. SPEARMAN**

I, Rebecca W. Martin, do hereby certify that I have this date served one (1) copy of the
prefiled Testimony of L.B. Spearman upon the following parties of record by causing said copy
to be deposited with the United States Mail, first class postage prepaid to:

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Ellis, Lawhorne & Sims, P. A.
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Columbia, South Carolina 29202

C. Lessie Hammonds, Esquire
Office of Regulatory Staff
P. O. Box 11263
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October 17, 2004

Columbia, South Carolina